

AD-A104 077

NAVAL POSTGRADUATE SCHOOL MONTEREY CA  
BUDGET FORMULATION AT MARINE CORPS BASES AND STATIONS.(U)  
JUN 81 B H BROTHERS

F/6 5/1

UNCLASSIFIED

NL

[OR]  
4 032 077

END

DATE

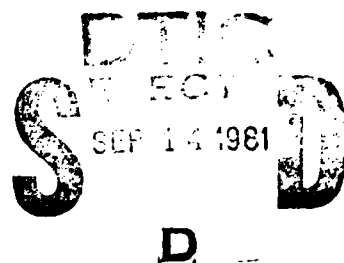
10-81

DTIC

AD A104072

NAVAL POSTGRADUATE SCHOOL  
Monterey, California

LEVEL II



THESIS

BUDGET FORMULATION AT MARINE  
CORPS BASES AND STATIONS

by

Bruce Holden Brothers

June 1981

Thesis Advisor:

R. A. Bobulinski

Approved for public release; distribution unlimited

81 9 11 034

DTIC FILE COPY

REPORT DOCUMENTATION PAGE		READ INSTRUCTIONS BEFORE COMPLETING FORM
1. REPORT NUMBER	2. GOVT ACCESSION NO. AD-A104 077	3. RECIPIENT'S CATALOG NUMBER
4. TITLE (and Subtitle) Budget Formulation at Marine Corps Bases and Stations.		5. TYPE OF REPORT & PERIOD COVERED Master's Thesis June 1981
		6. PERFORMING ORG. REPORT NUMBER
7. AUTHOR(s) Bruce Holden/Brothers		8. CONTRACT OR GRANT NUMBER(s)
9. PERFORMING ORGANIZATION NAME AND ADDRESS Naval Postgraduate School Monterey, California 93940		10. PROGRAM ELEMENT, PROJECT, TASK AREA & WORK UNIT NUMBERS 13
11. CONTROLLING OFFICE NAME AND ADDRESS Naval Postgraduate School Monterey, California 93940		12. REPORT DATE June 1981
		13. NUMBER OF PAGES 72
14. MONITORING AGENCY NAME & ADDRESS (if different from Controlling Office)		15. SECURITY CLASS. (of this report)
		15a. DECLASSIFICATION/DOWNGRADING SCHEDULE
16. DISTRIBUTION STATEMENT (of this Report)  Approved for public release; distribution unlimited		
17. DISTRIBUTION STATEMENT (of the abstract entered in Block 20, if different from Report)		
18. SUPPLEMENTARY NOTES		
19. KEY WORDS (Continue on reverse side if necessary and identify by block number) Budget Budget Formulation Zero-Based Budget Marine Corps Budget Formulation		
20. ABSTRACT (Continue on reverse side if necessary and identify by block number) This thesis studies the budget formulation procedures utilized by selected Marine Corps bases and stations. Their budgeting practices are examined for conformance with preferred budgeting practices for public organizations and with budgeting directives issued by Headquarters Marine Corps. The principal areas covered are the organization and training of budget personnel, the budget calendar, budget guidance, and budget		

DD FORM 1473

EDITION OF 1 NOV 66 IS OBSOLETE  
S/N 0102-014-6601

formulation. The study finds important problems in areas including the adequacy of training and turnover rate of fund administrators, the quality of budget input submitted to budget officers, and the level of manager participation in the budget process. The study provides recommendations for improving the effectiveness and efficiency of budgeting in the Marine Corps based on the problem areas discovered.

Accession For	
NTIS GRA&I	<input checked="" type="checkbox"/>
DTIC TAB	<input type="checkbox"/>
Unannounced	<input type="checkbox"/>
Justification	
By	
Distribution/	
Availability	
Dist	Avail and/or Special
A	

Approved for public release; distribution unlimited

Budget Formulation at Marine Corps Bases and Stations

by

Bruce Holden Brothers  
Captain, United States Marine Corps  
B.A., University of Oklahoma, 1972

Submitted in partial fulfillment of the  
requirements for the degree of

MASTER OF SCIENCE IN MANAGEMENT

from the

NAVAL POSTGRADUATE SCHOOL  
June 1981

Author

BH Brothers, Capt, USMC

Approved by:

RA Belding, Lt Col, USMC  
Thesis Advisor

W. L. Simpson, Lt Col, USMC  
Second Reader

[Signature]  
Chairman, Department of Administrative Sciences

[Signature]  
Dean of Information and Policy Sciences

## ABSTRACT

This thesis studies the budget formulation procedures utilized by selected Marine Corps bases and stations. Their budgeting practices are examined for conformance with preferred budgeting practices for public organizations and with budgeting directives issued by Headquarters Marine Corps. The principal areas covered are the organization and training of budget personnel, the budget calendar, budget guidance, and budget formulation. The study finds important problems in areas including the adequacy of training and turnover rate of fund administrators, the quality of budget input submitted to budget officers, and the level of manager participation in the budget process. The study provides recommendations for improving the effectiveness and efficiency of budgeting in the Marine Corps based on the problem areas discovered.

## TABLE OF CONTENTS

I.	INTRODUCTION- - - - -	9
A.	GENERAL - - - - -	9
B.	EVOLUTION OF BUDGETING IN THE MARINE CORPS- - - - -	10
C.	PROBLEM STATEMENT - - - - -	13
D.	OBJECTIVE AND SCOPE - - - - -	14
E.	METHODOLOGY - - - - -	15
F.	THESIS ORGANIZATION - - - - -	16
II.	BUDGET GUIDANCE, FORMULATION, AND SUBMISSION AT MARINE CORPS BASES AND STATIONS- - - - -	17
A.	INTRODUCTION- - - - -	17
B.	OPERATIONS AND MAINTENANCE, MARINE CORPS (O&M,MC)- - - - -	17
1.	Organization for Funds Flow - - - - -	17
2.	Budget Guidance - - - - -	20
a.	HQMC Budget Guidance- - - - -	20
b.	Guidance Issued by OpBud/sub-OpBud Holders - - - - -	23
3.	Budget Formulation and Submission - - - - -	24
a.	General - - - - -	24
b.	Budget Formulation and Submission at the Fund Administrator Level- - - - -	25
c.	Budget Formulation and Submission at the Base and Station Level - - - - -	26
4.	Training of Budget Personnel- - - - -	28
C.	SUMMARY - - - - -	28

III.	SURVEY OF SELECTED MARINE CORPS BASES AND STATIONS-	30
A.	INTRODUCTION-	30
B.	ORGANIZATIONS SURVEYED-	30
C.	DEVELOPMENT OF THE SURVEY -	31
D.	ORGANIZATION OF THE SURVEY-	31
	1. Organization and Training -	31
	2. Budget Calendar -	32
	3. Budget Guidance -	32
	4. Budget Formulation-	32
E.	RESULTS AND ANALYSIS OF THE SURVEY-	32
	1. General -	32
	2. Organization and Training -	33
	3. Budget Calendar -	35
	4. Budget Guidance -	36
	a. Budget Guidance from Higher Headquarters -	36
	b. Budget Guidance Issued to Fund Administrators -	38
	5. Budget Formulation-	40
F.	SUMMARY -	42
IV.	CONCLUSIONS AND RECOMMENDATIONS -	49
A.	GENERAL -	49
B.	CONCLUSIONS -	49
	1. Staffing and Training -	49
	2. Budget Calendar -	51
	3. Budget Guidance -	51



4. Involvement of Managers - - - - -	54
5. Fund Administrator Budget Submissions - - - - -	54
6. Budget Review Committee - - - - -	54
7. Variances in Previous Year's Budget - - -	55
8. Causal Relationships- - - - -	55
9. Budget Formulation Problem Areas in the Marine Corps - - - - -	57
C. RECOMMENDATIONS - - - - -	60
D. SUMMARY - - - - -	63
APPENDIX A - SURVEY QUESTIONNAIRE OF MARINE CORPS BASE AND STATION BUDGET OFFICERS - - - - -	64
LIST OF REFERENCES- - - - -	71
INITIAL DISTRIBUTION LIST - - - - -	72

## LIST OF EXHIBITS

II-I.	FLOW OF FUNDS TO SELECTED BASES AND STATIONS- - - - -	19
III-I.	RESULTS OF SURVEY QUESTIONNAIRE OF SELECTED MARINE CORPS BASE AND STATION BUDGET OFFICERS - - - - -	44
IV-I.	CAUSAL RELATIONSHIPS- - - - -	56

## I. INTRODUCTION

### A. GENERAL

For the past several years, inflation has been consistently outstripping increases in the military budget and Marine Corps financial managers have found it increasingly difficult to survive the fiscal year within their assigned financial ceilings.<sup>1</sup> President Ronald Reagan campaigned on the theme that the military has been neglected and requires increased funding to adequately carry out its mission. However, even if the Reagan Administration increases military appropriations, the author contends that financial skills must be further developed and refined in order to accomplish the most with each dollar obligated.

An operating budget is a commanding officer's plan of action stated in terms of dollars. It is a dynamic tool for the management of resources. The budget identifies the resources required to accomplish assigned missions and to provide a plan against which performance can be measured, variances analyzed, and adjustments made. If managers recognize these attributes and do not simply view the budget as a limitation on why things cannot be done, the budget

---

<sup>1</sup>Colonel Sven Johnson, Comptroller, Fleet Marine Force Pacific, conversation on 1 December, 1980.

can be an important tool for both setting and carrying out policy [Ref. 1: p. 13].

## B. EVOLUTION OF BUDGETING IN THE MARINE CORPS

A basic tenet in the Marine Corps is that financial management is inherent in command [Ref. 2: p. 20]. The Marine Corps philosophy of financial management has been an extension of the military axiom that a commanding officer is responsible for all men and material under his command. A former Marine Corps Commandant, General David M. Shoup, stated, "Our philosophy is that the real comptroller is the commanding officer. This is true regardless of whether or not there is a comptroller on the staff. Just as every commanding officer is his own communications officer and his own supply officer, even though he has a staff officer to assist him, so is he his own comptroller." As recently as 1967 the Fiscal Director of the Marine Corps, James F. Wright, said, "No corps of comptrollers will be created in the Marine Corps -- advertently or inadvertently."

Given this philosophy, the author finds it hardly surprising that past budgeting and financial management practices of the Marine Corps were relatively unsophisticated. Prior to 1953, budget estimation and funds control were centralized at Headquarters Marine Corps under the Quartermaster General who held the additional duty of Fiscal Director. Budgeting was done strictly on a line item basis

rather than by functions, such as training or maintenance. Field commanders were not concerned about fiscal considerations and had no direct responsibilities in the administration of public funds. "If a station commander wanted to buy an item that the supply department did not stock, he had to write a letter to the Quartermaster General, who then decided on the merits of the case" [Ref. 3: p. 24]. Legend has it that Major General P. T. Hill, Quartermaster General from 1944 until 1955, ran the supply and fiscal affairs of the Marine Corps with a pocket notebook backed up by a stack of old-fashioned ledgers in his office. One authority even claimed that if a Marine at Headquarters Marine Corps wanted to mail an air mail letter, he had to go to Major General Hill and ask for stamps.<sup>2</sup>

While this system worked surprisingly well, primarily due to the genius of Major General Hill, it obviously did not meet the requirements of the 1949 amendments to the National Security Act of 1947. The National Security Act of 1947, as amended, established, inter alia, the Comptroller of the Navy who would be responsible for budgeting, accounting, progress and statistical reporting, internal audits, and for the related administrative organizational structure and

---

<sup>2</sup>Frank R. Sanders, Undersecretary of the Navy for Financial Management, in an address at George Washington University, Washington, D. C., 8 November, 1971.

managerial procedures. It also required performance budgeting by functional programs and activities.

In 1953 a separate Fiscal Division at the General Staff level of the Marine Corps was created, and on 1 July 1953, Brigadier General Shoup became the first full-time fiscal director of the Marine Corps. Also by 1953, field commanders were receiving allotments for operating funds and were responsible for budgeting and accounting for these funds. In 1956, ten major Marine Corps commands had comptrollers established as part of their staffs.

In the early 1960's, the Department of Defense (DOD), under Robert S. McNamara, adopted the Planning, Programming and Budgeting System (PPBS). "PPBS was intended to facilitate budgeting in terms of military forces and weapons systems instead of the resource categories of military personnel, procurement, operations and maintenance, research, and construction. In addition, costs were to be determined for the lifetime of a system, not just for the budget year" [Ref. 4: p. 21]. Many proponents of PPBS also saw it as a way to provide decision makers with the information necessary for making informed choices between alternative programs or systems. Unlike a traditional line item budget which is only concerned with input, program budgeting requires the Marine Corps to formulate its budget in terms of major mission and support functions [Ref. 1: p. vii].

This emphasis on program output has greatly enhanced the decision makers' ability to make judgments about the adequacy of the forces contained in the budget. While PPBS has been dropped by other federal agencies, it has been continuously modified and improved within the DOD.

Upon the initiative of President Carter, the DOD and other federal agencies adopted the Zero-Based Budgeting System (ZBB) for the FY 1979 budget submission. OMB Bulletin No. 77-9, "Zero-Based Budgeting," provided broad guidance for use of ZBB. ZBB is a planning and analysis system which, in theory, requires that each program be justified in total. The purpose is to force managers annually to take a critical look at every program and activity under their jurisdiction rather than simply analyzing requested increases and decreases. Secretary of Defense Harold Brown stressed that ZBB was to be compatible with, and not a replacement for, PPBS.

#### C. PROBLEM STATEMENT

For FY 1981, the Marine Corps has an Operations and Maintenance, Marine Corps (O&M,MC) budget in excess of one billion dollars [Ref. 5: Tab M]. The author contends that it is important to the Marine Corps that these funds be budgeted for and administered as efficiently as possible. Yet, the author knows of no current study which examines the effectiveness of the budget formulation process at Marine

Corps bases and stations. Accordingly, this study will attempt to determine the effectiveness of the current Marine Corps budgeting procedures.

#### D. OBJECTIVE AND SCOPE

In September 1980, William Johnson published a thesis which examined and evaluated the performance of the budget formulation process for certain Marine Corps operating forces. The criterion was an operational control review based on preferred budgeting practices. It is the intention of this thesis to extend that study to cover the performance of budget formulation functions at Marine Corps bases (MCB) and stations. The commands surveyed by this author were MCB Camp Lejeune, Marine Corps Air Station (MCAS) Cherry Point, MCAS Beaufort, MCAS El Toro, MCAS Yuma, MCAS Kaneohe Bay, MCB Camp Pendleton, Marine Corps Air Ground Combat Center Twenty-nine Palms, Marine Corps Recruit Depot (MCRD) San Diego, MCRD Parris Island, Marine Corps Development and Education Center Quantico, Marine Corps Logistics Base (MCLB) Albany, and MCLB Barstow. Major bases and stations overseas were excluded due to time and resource constraints.

The scope of this study includes budget guidance for O&M, MC funding promulgated from higher headquarters to the operating budget (OpBud) holders, and from the OpBud holder to the fund administrator. The budget formulation process will be covered from the lowest echelon up through the



review and submission of the budget by the OpBud holder. Further, the staffing and training of budget personnel will be examined.

#### E. METHODOLOGY

For this study, a review of Marine Corps orders and directives pertinent to budgeting was conducted. Also, other professional publications on the subject of budgeting and financial management were consulted. Professional journals concerned with financial management in the military such as the Armed Forces Comptroller were especially helpful. This literature, along with information provided by Marine Corps comptrollers and budget officers, was the basis for the first two chapters of this study.

This study's mechanism for evaluation of the budget formulation process is an operational control review type survey questionnaire (Appendix A). The survey questionnaire of William Johnson was used as a starting point. However, his survey was modified so as to apply to bases and stations budgeting operations and formats vice those of the operating forces. Also, based on the findings of Johnson's survey and the author's research, some areas of concern were added to or expanded upon while other areas were condensed in order to better focus on suspected problems.

The second part of the study presents the survey questions and the total number of positive and negative

responses to each question. Answers which indicated problem areas were examined by comparing the results to the normal and preferred budgeting procedures covered in Chapter II. Conclusions and recommendations reached by this analysis and by further contact with the base and station budget officers are presented in the last chapter.

#### F. THESIS ORGANIZATION

Chapter II overviews current Marine Corps orders and directives pertaining to O&M, MC budget guidance for bases and stations. It also examines the procedures and forms used for budget preparation and submission.

Chapter III presents the author-developed survey which was mailed to the base and station budget officers. The responses are examined and analyzed in view of the material presented in Chapter II.

Chapter IV presents the conclusions and recommendations based on the contents of Chapter III.

## II. BUDGET GUIDANCE, FORMULATION, AND SUBMISSION AT MARINE CORPS BASES AND STATIONS

### A. INTRODUCTION

This chapter provides an overview of current Marine Corps budgeting practices. This background is important both for understanding the author-developed survey questions and for interpreting their results. Because this study focuses on Operating Budgets, other base and station budgets such as Procurement, Marine Corps, and Family Housing are not covered.

### B. OPERATIONS AND MAINTENANCE, MARINE CORPS (O&M,MC)

#### 1. Organization for Funds Flow

Operating funds for the Marine Corps are authorized and appropriated by the Congress. Each year Congress passes an appropriation bill for defense which includes annual O&M,MC obligational authority. The Office of Management and Budget apportions these funds on a quarterly basis to the Department of Defense. They are further allocated through the Secretary of the Navy and the Navy Comptroller to the Commandant of the Marine Corps. The Fiscal Division is the responsible office for Marine Corps funds.

Funds are allocated to bases and stations by means of an Operating Budget (OpBud) Fund Authorization. The OpBud authorizes annual obligational authority on a cumulative quarterly basis. In order to accommodate unforeseen changes

occurring throughout the fiscal year, amendments to the OpBud are issued as required. The obligational authority authorized by an OpBud is a legal limitation on spending imposed by Congress on the OpBud holder by Section 3679 of the Revised Statutes (31 United States Code 665). Commander, Marine Corps Bases Pacific (COMMARCORBASESPAC), Commander, Marine Corps Air Bases West (COMCABWEST), and Commander, Marine Corps Air Bases East (COMCABEAST) receive OpBuds from Headquarters Marine Corps (HQMC) and reallocate sub-OpBuds to their subordinate commands. Bases and stations not falling under the jurisdiction of these three commands receive OpBuds directly from HQMC. Exhibit II-I outlines this flow of funds.

Each base and station has a comptroller organization with a budgeting and accounting section which monitors the progress of the financial plan and ensures that obligations meet all legal and administrative restrictions. Within each command funds are further subdivided down to fund administrators who make obligations in order to carry out their mission. For example, the supply officer would be a fund administrator and would receive quarterly fund authorizations from the commanding officer for the purpose of purchasing supplies. Other fund administrators might be civilian personnel, motor transport, telecommunications, special services, etc.

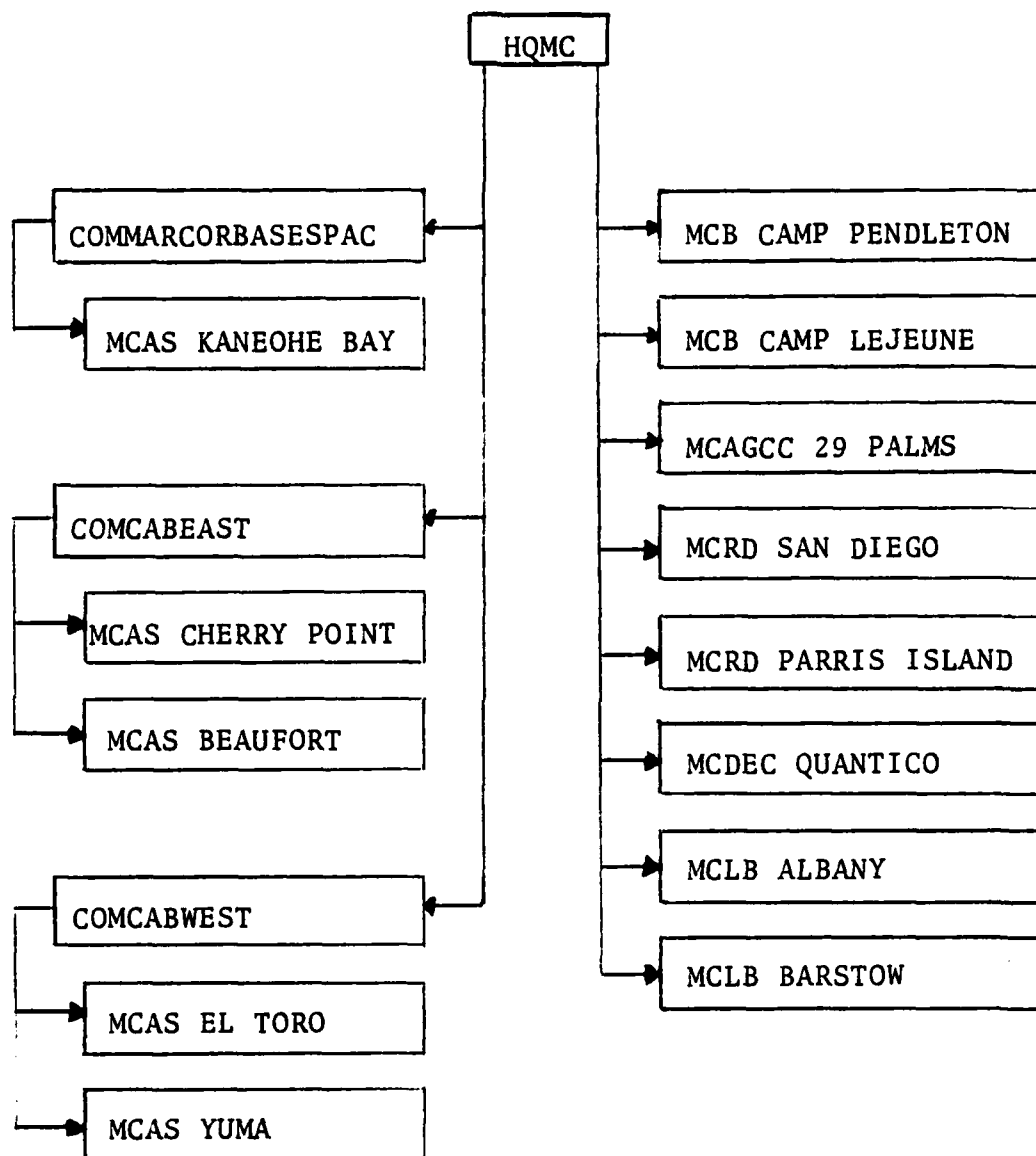


Exhibit II-1

Flow of Funds to Selected Bases and Stations

## 2. Budget Guidance

The Planning, Programming and Budgeting System (PPBS) is a continuous and overlapping decision-making process through which the Five-Year Defense Plan is updated and the defense budget is created. The process, which takes almost two years, advances from an initial assessment of the threat to national security to more definitive program objectives to finally specific budget estimates. It is during this process that the Secretary of Defense, aided by input from the Joint Chiefs of Staff and military departments and agencies, makes program decisions which determine the shape of each service's budget.

### a. HQMC Budget Guidance

HQMC promulgates budget guidance of a permanent nature in the Marine Corps Field Budget Guidance Manual. Chapter 6, Zero-Based Budgeting Guidance, provides detailed guidance for the preparation and submission of Budget Year (BY) and Budget Year plus 1 (BY+1) zero-based budgets. It also establishes 30 April as the due date for budgets to arrive at HQMC (Code FDB). The chapter gives an overview of the ZBB process, identifies the decision units to be used, and defines terms peculiar to ZBB. It also lists the principal objectives of ZBB as follows:

- 1) Involve commanders/managers at all levels in the budget process.
- 2) Justify all resource requirements for existing activities as well as for new initiatives.

- 3) Focus the justification on the evaluation of discrete programs or organizations at each management level.
- 4) Establish measurable objectives at all budget management levels.
- 5) Assess alternative methods of accomplishing objectives.
- 6) Analyze the probable effects of different budget amounts or performance levels on the achievement of objectives.
- 7) Provide a creditable rationale for reallocating resources especially from old activities to new activities.

Budget submissions for the BY are required to include a listing of unfunded deficiencies. These are areas in which the command would use additional funds if they were available. In order for higher commands to better judge the relative urgency of unfunded deficiencies at subordinate commands, the Field Budget Guidance Manual states that unfunded deficiencies will be identified as belonging to one of the following priority levels.

Priority 1. Applies to deficiencies which impinge upon the ability to adequately accomplish the Command's mission. Examples of this deficiency classification would be civilian pay raises or FMF deficiencies which correlate to an eroded readiness posture as reported in the force status and identity report (FORSTAT).

Priority 2. Unfunded requirements which fall short of being absolutely essential as defined in priority 1 but are of such magnitude that deficiencies in this priority could cause a marked deterioration in the ability of the command to accomplish its mission. However, continued underfunding of these financial programs from year to year could result in a reclassification to a priority 1 item. Examples of items in this category would be certain supplies, civilian personnel costs, and equipment.

Priority 3. A priority of less magnitude than priority 1 or 2 but important to the overall effectiveness of the command. Again, failure to fund these deficiencies would not mean mission degradation, except over a period of years. An example is T/E replacement, which implies a full complement of equipment on hand, but not necessarily in 100% condition code A.

Priority 4. Items categorized as desirable which would enhance the effectiveness of the command. However, failure to fund these programs would not have an adverse effect on command posture. An example of items in this priority would be equipment identified in allowance lists and considered "nice to have" after other more critical priorities are funded.

Budget guidance of an annual nature is issued to the field in two phases. The first phase is a Marine Corps Field Budget Guidance Bulletin 7100 published annually each December. This bulletin provides bases and stations with the number of reservists to be trained in the BY and BY+1, lists new equipment to be budgeted for, and potential conferences to be attended. "The purpose is to apprise the commander on a timely basis to assist him in planning in order that he may incorporate such information during the initial stages of his field estimate" [Ref. 6: p. 12].

The second phase of guidance is a bulletin published in March of the following calendar year which provides the final financial ceilings for each command and inflation guidance for stock fund material other than fuel, non-stock fund material, and fuel. Also included are workload indicators, budgeting instructions for automatic data processing equipment, and any other necessary guidance. As this bulletin is usually published and distributed too late



to be of any use to the field comptroller, the information it contains is promulgated by telephone calls and draft copies prior to publication.

b. Guidance Issued by OpBud/sub-OpBud Holders

Just as HQMC has a Field Budget Guidance Manual containing permanent budget guidance, each OpBud/sub-OpBud holder should publish their own document which provides instructions and establishes policy for budgeting as well as administering the command's financial resources. Some commands publish a permanent standard operating procedures manual (SOP) and update the guidance annually with bulletins in much the same manner as HQMC. Other commands republish the entire budget guidance each year.

COMCABEAST, COMCABWEST, and COMMARCORBASESPAC all have administrative control over bases/stations and must issue pertinent budget guidance to supplement that of HQMC. COMCABEAST, COMCABWEST, and COMMARCORBASESPAC are required to submit consolidated budgets to HQMC no later than 30 April. This means that bases and stations under their command must submit budgets to them early enough to allow for consolidation and thus have a shorter budgeting time frame than commands which submit budgets directly to HQMC.

Based on guidance from higher headquarters, the commanders communicate their own philosophy and guidance to the fund administrators when issuing the annual budget call. The budget call provides the fund administrators with

detailed guidance on how to format their budget input. Depending on the commanding officer's policy, the fund administrators may be given a ceiling to budget to, only be required to submit increases or decreases from the previous year's budget, or they may be provided no control figures at all. Allowing a fund administrator to develop a budget based strictly on requirements needed to carry out assigned tasks and missions would be compatible with the zero-based budgeting philosophy [Ref. 7: p. 33]. However, the time and effort required to reduce and adjust unconstrained budget submissions so as to equal the base or station ceiling could make this approach infeasible. The command is free to choose whichever budget method that best meets its needs.

### 3. Budget Formulation and Submission

#### a. General

The development of an operating budget is a process of determining requirements at the lowest echelon (fund administrator), and summarizing these requirements with those of other fund administrators for the total command. Following this, the summarizations for the requirements of the individual activities are summarized at the intermediate level, and at all higher levels successively, until ultimately there will be one grand summary for the total Marine Corps [Ref. 1: p. 13].

b. Budget Formulation and Submission at the Fund Administrator Level

The fund administrator prepares a budget estimate which communicates to the budget officer and commanding officer the operating plan and level of activity required for carrying out assigned tasks. An advantage of creating the budget from the bottom up is the knowledge residing at the working level. Those who actually perform the tasks should be able to provide the best estimate of manpower and material required.

Operating budgets are formatted in terms of functional and subfunctional categories and cost account codes by elements of expense for each program element and subhead. The cost account codes, listed in Volume 2 of the Navy Comptroller Manual, are the basic building blocks of the budget. They account for the input of resources in terms of cost and manhours, and account for output in terms of work units produced. Cost account codes relate to functional categories which permit display of operating budgets in the format required for submission by HQMC.

For CY budget submissions, fund administrators are only required to update the current budget. For the BY, the budget is prepared by decision unit to the assigned funding level. The BY+1 submission is a conventional zero-based budget with a minimum and several incremental funding levels.

The formats on which fund administrators prepare their budgets are dictated by the command. The command is free to create any forms which best meet its needs. However, the forms used should be compatible with the overall budget approach in order to facilitate consolidation of the estimates into the final budget [Ref. 9: p. 116].

c. Budget Formulation and Submission at the Base and Station Level

The budget prepared at the base and station level is basically a consolidation of the budgets received from the fund administrators. Accordingly, the budget officer must receive budget input from all fund administrators over which the budget officer has jurisdiction.

The budget submitted to higher headquarters consists of extensive narrative in such topical areas as long-range goals, mission objectives, and alternatives, and financial displays which detail planned obligations. An automated Class 1 Budget System is used to produce the financial displays and to prioritize decision packages. The three standard NAVCOMPT forms used in preparing budget estimates are the Operating Budget/Expense Report (NAVCOMPT 2168) by fund administrator for internal use, the Operating Budget/Expense Report (NAVCOMPT 2168) by operations account for submission, and the Activity Budget/Apportionment Submission (NAVCOMPT 2179-1) for submission [Ref. 8: p. 5-4].

Once the budget input has been received the budget officer prepares an Operating Budget/Expense Report form for each fund administrator and then aggregates the input for the command as a whole. This provides an internal means for careful review and analysis of the budget submissions and ensures that the summarized operating budget gives economical recognition to all known requirements, that workload planning is valid, and that cost estimates are fully supportable to higher authority [Ref. 1: p. 13].

The Marine Corps Field Budget Guidance Manual requires that the budget input be reviewed by a budget review committee. The budget review committee needs to be of sufficient size and expertise to effectively review and appraise the fund administrators' budget submissions. If the review committee finds deficiencies in the fund administrators' submissions or has to alter funding levels for any reason, the fund administrators should be provided a chance to support their requests before the committee [Ref. 9: p. 120].

The BY+1 submission is prepared at the minimum level with up to five incremental levels for each decision unit. Each funding level within a decision unit is called a decision package. At the base and station level, budget submissions for BY+1 must be broken into decision packages which are ranked by priority. The budget review committee should be actively involved in preparing the decision

package rankings. However, the budget review committee and budget officer are only advisors. It is the commanding officer's budget, and the commanding officer makes the final decisions.

Budget submission dates are dictated to bases and stations by the headquarters exercising administrative control over them. Bases and stations responsible to an intermediate command rather than directly to Headquarters Marine Corps are under tighter budget schedules than other commands. In any case, the budget process has little slack time and all submission dates must be strictly adhered to.

#### 4. Training of Budget Personnel

In order for the budget process to function smoothly, each person involved must possess a detailed knowledge of his job and its role in the budget formulation process. The command depends on the budget officer to train new personnel and to keep them informed in budgetary matters. While the turnover in budget office personnel should be infrequent, rotation of fund administrator budget managers may be a problem. A training program of the form which best suits the size and structure of the command is required to keep the budget personnel adequately trained in budget formulation requirements and procedures.

#### C. SUMMARY

This chapter has presented an overview of budget guidance, formulation and submission at Marine Corps bases and stations.

Specifically, it covered operating budget guidance from HQMC to OpBud holders, and from OpBud holders to sub-OpBud holders and fund administrators. The budget formulation process from its origin at the fund administrators through budget submission to Headquarters Marine Corps was reviewed. Marine Corps Orders and Bulletins, base and station orders, bulletins and SOPs, general published academic guidance pertaining to budget formulation in public non-profit organizations, and Marine Corps personnel in the financial management field provided the information contained in this chapter. This information is necessary for an understanding of the survey questionnaire and survey analysis presented in Chapter III.

### III. SURVEY OF SELECTED MARINE CORPS BASES AND STATIONS

#### A. INTRODUCTION

The purpose of this chapter is to present the author-developed survey questionnaire and to discuss the responses provided by the surveyed commands. First, the units surveyed are listed. Next, the development and organization of the questionnaire are covered. Finally, the responses to the survey are discussed and analyzed. This chapter attempts to isolate elements of the budget process which the participating commands indicated as problem areas. Conclusions drawn and recommendations for improvements will be contained in Chapter IV. Exhibit III-I contains the responses to the questionnaire.

#### B. ORGANIZATIONS SURVEYED

Surveys were mailed to the budget officers of the following commands: Marine Corps Base (MCB) Camp Lejeune, MCB Camp Pendleton, Marine Corps Air Station (MCAS) Cherry Point, MCAS Beaufort, MCAS El Toro, MCAS Yuma, MCAS Kaneohe Bay, Marine Corps Air Ground Combat Center Twenty-nine Palms, Marine Corps Recruit Depot (MCRD) San Diego, MCRD Parris Island, Marine Corps Development and Education Center Quantico, Marine Corps Logistic Base (MCLB) Albany, and MCLB Barstow. Of these 13 budget officers surveyed, 11 responded.



Besides answering the questions by the indicated yes/no format, most budget officers also provided additional insight through comments on the survey. The surveys were followed by telephone interviews with the budget officers to gather additional information concerning indicated problem areas.

#### C. DEVELOPMENT OF THE SURVEY

Marine Corps orders and bulletins, base and station financial management directives, and academic publications dealing with preferred budgeting practices served as the sources for the questions used in the survey. Appendix A is a copy of the survey questionnaire. Each question is followed in parentheses by the source or sources from which it was drawn. Some questions apply to preferred budgeting practices for organizations in general and were quoted directly from their source and some questions were altered to fit Marine Corps budgeting practices. Other questions concern specific budgeting practices directed by Headquarters Marine Corps.

#### D. ORGANIZATION OF THE SURVEY

##### 1. Organization and Training

Part I of the survey deals with the organization and training of personnel in the base/station budget office and in the fund administrator organization. It also questions whether staffing is adequate and if turnover of personnel is a problem.

## 2. Budget Calendar

Part II asks if the command publishes a budget calendar, and, if so, is enough time allotted for budget preparation, consolidation, review, and submission.

## 3. Budget Guidance

Part III has two sections. The first section concerns the adequacy and timeliness of budget guidance promulgated from higher headquarters to the bases and stations. The second section solicits information concerning the budget guidance issued by the base/station budget office to the fund administrators.

## 4. Budget Formulation

Part IV questions the general budget formulation process at the bases and stations. The questions cover budget formulation and submission by the fund administrators, the process for making changes to these submissions, and the work of the budget review committee. Part IV also asks several questions concerning the Class I budget system.

# E. RESULTS AND ANALYSIS OF THE SURVEY

## 1. General

The consolidated responses to the survey are presented in Exhibit III-I. Exhibit III-I shows the number of "yes" or "no" responses to each question. Additional comments provided by most commands proved very helpful in highlighting problem areas and are often referred to in this chapter.

Many of the problem areas addressed by the survey are problems which occur at all commands to one degree or another. It was the responsibility of the budget officer answering the survey to decide if the problem was serious enough to rate a "yes" or "no" response. For instance, when asked if fund administrators' budget submissions are submitted on time, three officers felt it was enough of a problem to answer no. While the other eight respondents answered yes, some also added comments such as, "usually," or "a few are always late." These additional comments were also taken into consideration when determining how widespread or serious a problem appeared to be.

## 2. Organization and Training

The respondents did not indicate a problem existed in the fund administrator organizational structure. The only budget officer responding negatively to the first question stated that even though the command has no wire diagram identifying the fund administrators' organizational structure, the budget officer does know which individuals provide budget input from each fund administrator. Three commands do not maintain a budget office organizational chart and one respondent has not put the functions, responsibilities, and authority of each budget position into writing.

Most responses indicated a problem with the budget organizations' table of organization (T/O) and with the

staffing of the budget office and fund administrators. Six budget officers responded that they are understaffed while another claimed to be currently understaffed but in the process of having the T/O and staffing increased. An eighth responded that while the staffing level is not currently a problem, one member of the budget office is a Department of the Navy (DON) trainee and will be departing when fully trained. One respondent related that with only two people staffing the budget office, it has been necessary for the deputy comptroller to work as a budget officer and for the comptroller to often aid in the budget process. Six budget officers claimed to need one or two additional budget analysts, and a couple also need budget clerks. Even budget officers that consider themselves to be adequately staffed commented on the large amount of overtime necessary during the budget preparation process.

Four budget officers said that some personnel in the budget office lack adequate knowledge in budget formulation procedures and stated that the cause is newness to the field. Seven of 11 surveys indicated that fund administrator budget personnel, as a whole, are not adequately trained or knowledgeable. The problem is centered in fund administrators manned by military personnel. Ten budget officers cited turnover of fund administrators as a problem and all stated that military fund administrators were most or all of the budget formulation problem. Even though all budget officers

but one conduct training programs, personnel turbulence caused by formal schools selections, rotation of job assignments and transfers, along with other military duties combine to hinder adequate training. An example was cited of four separate motor transport officers in a one-year period.

Base and station budget officers and budget analysts are almost all civilians and turnover of these personnel was cited as a problem at four commands. At three of these commands, turnovers were due to retirement and are not viewed as recurring problems. As nearly all budget officers complained of the workload, and most consider themselves understaffed, it seems surprising to this author that only one budget office is suffering a turnover of personnel due to dissatisfaction with the job.

### 3. Budget Calendar

Eight respondents indicated that they maintain a budget calendar establishing budget submission due dates. Three commands publish no budget calendar but issue call letters in advance of budget input requirements. All but one budget officer felt that the fund administrators are allowed an adequate amount of time for budget preparation and submission. While nine surveys responded that the budget calendar does permit adequate time for consolidation, review, and submission of the budget, most budget officers made note that working a considerable amount of overtime is

part of the normal routine during the budget preparation cycle.

4. Budget Guidance

a. Budget Guidance from Higher Headquarters

Ten of the 11 budget officers related that their OpBud grantor has published a formal budget guidance procedures manual (SOP) with the date of the latest change occurring in 1980. The one unit reporting no SOP from its OpBud grantor is under the administrative control of an intermediate command. Eight budget officers also stated that their OpBud grantor provided adequate and detailed zero-based budgeting guidance for the BY+1 to include the policies, goals, and objectives to be accomplished at the minimum level of the budget. One budget officer responded that his OpBud grantor, an intermediate command, provides a copy of Headquarters Marine Corps budget guidance. Another budget officer expressed displeasure with the ZBB guidance and stated that the ZBB concept applies more to the operating forces than to bases and stations. The third budget officer stated that the guidance is not adequate because it trickles in by telephone calls and messages too late in the budget preparation cycle.

Question 2c received mixed responses as to whether the commands were provided minimum levels for the BY+1 stated in terms of dollars or percentages. The only

specific budgeting guidance contained in the Marine Corps Field Budget Guidance Manual addressing the minimum level states, "The minimum level for the BY+1 should be below the established annual financial ceiling for the BY." Yet, four budget officers directly under the administrative control of Headquarters Marine Corps responded that they are provided a percentage figure upon which to base their minimum funding level while four other budget officers under Headquarters Marine Corps responded negatively. It seems that the disparity in guidance arose when a budget officer or comptroller requests additional clarification from Headquarters Marine Corps as to what constitutes the minimum level and is verbally provided a budgeting goal such as 5% or 10% below the current level.

Ten respondents reported that their budget year ceilings are provided via informal communication prior to formal publication, and that the published figures do agree with those communicated earlier. However, six of the budget officers still feel that the budget year ceilings are not provided early enough. At least one command tries to overcome the problem by commencing budget formulation with ceilings established by the budget officer and reviewed by the local Budget Advisory Board.

Nine officers agreed that the four priority levels of unfunded deficiencies are adequately defined. Two feel that the definitions are not detailed or specific

enough, that they should cover all decision units and should contain more examples directed toward bases and stations.

All budget officers directly under the administrative control of Headquarters Marine Corps feel that new or expanded goals and objectives for the budget year are adequately covered in the budget guidance. However, one budget officer under COMCABEAST and one under COMCABWEST responded negatively to this question.

Four respondents expressed dissatisfaction with the issuance of changes to the mechanized budget system. It was stated that the changes arrive at such inopportune times as during annual closeout or the budget formulation cycle and that they always require testing to ensure that the explanations are complete and valid. Criticisms were also voiced over the documentation of changes by Headquarters Marine Corps. Changes consist of a revision of Chapter 5, Mechanized Financial Procedures for Selected Marine Corps Posts and Stations, and of various letters and messages vice one up-to-date comprehensive publication.

b. Budget Guidance Issued to Fund Administrators

Six budget officers reported that their command does not have a current formal budget procedures manual. Three of these commands have obsolete manuals which they plan to revise at some future date while the other three commands rely exclusively upon annual budget guidance.



The surveys revealed a varied approach to the development of minimum funding levels for the BY+1. Eight budget officers responded that they provide the fund administrators with either a dollar limit or narrative instructions of the goals and objectives to be achieved at the minimum level. Two budget officers allow the fund administrators to define and set their own minimum level. One budget officer instructs the fund administrator to prepare budgets at the current and improvement levels and then prepare the minimum level budget herself.

For the budget year, nine commands have their fund administrators prepare budgets, by decision unit, within the constraints of a financial ceiling. Requirements not included within the financial ceiling are submitted as unfunded deficiencies. One respondent reported that the fund administrators do not budget by decision unit. The other budget officer stated that the fund administrators develop their budgets based on total need. A financial ceiling is then imposed upon their submissions and any resulting deficiencies identified.

Three survey responses indicated that the budget schedule does not allow sufficient time for fund administrators to adjust their budget submission in the event of a change in the fund administrators' financial ceiling. In this case, the fund administrators' budget submissions are adjusted by the budget officer. Three other budget officers

also reported having to redo fund administrators' budgets, in some instances, due to time pressure.

#### 5. Budget Formulation

While eight respondents checked that commanders/managers at all levels are involved in the budget process, three officers responded with a strong no to this question. They feel that many managers are neither knowledgeable nor interested in budget formulation and execution. The comment was made that many officers have no appreciation of the results of poor budget estimates and leave budget preparation to untrained corporals and sergeants, or simply resubmit last year's budget input.

The survey questioned whether fund administrators' budgets are submitted in ZBB format and if they may be consolidated into the base or station budget with maximum ease. All surveys responded positively to the first question, but three budget officers responded negatively to the second. The budget consolidation problem is not with the format of the budget submission forms, but with the manner in which they are filled out. The use of the wrong forms, submissions that do not balance, and poor narrative justification were cited as the problems.

As the turnover and the state of training of fund administrator personnel were cited earlier in this chapter as problems by several commands, it is not surprising that three budget officers complained of the accuracy of the fund

administrator budget submissions and that six officers said that the fund administrator budget justifications were often inadequate.

Late fund administrator budget submissions were claimed to be problems ranging from "a few are always late" to serious disruptions at six units. Recall that six budget officers claimed that the budget year ceilings are provided from the OpBud grantor too late in the budget cycle. This problem combined with late fund administrator budget submissions creates such a time problem that half of the budget officers are unable to return budget submissions containing major deficiencies for correction and resubmission. The budget officers claimed to have to correct major deficiencies by telephone contact or by calling in the fund administrator and redoing the submission at that time. With six budget officers responding that the budget submissions are not adequately supported, and three officers complaining of accuracy, it appears that these last minute redraftings of fund administrator budget submissions are not all that unusual.

The Marine Corps Field Budget Guidance Manual states that the priority ranking of decision packages "involves the recommended ranking assigned to each decision package by the command's budget review committee for final approval by the commander." However, six budget officers responded that their commands have no formal budget review committee. One stated that the unit is small enough that it can coordinate the budget

with the budget staff without having a formal review committee. Two others reported that the budget is briefed to the division directors or it is staffed through the fund administrators prior to submission to the commanding officer. The last three budget officers replied that the comptroller division prepares the budget on its own and then briefs the commander.

Three budget officers stated that variances in the previous year's budget are not investigated. One budget officer responded, "sometimes."

The only major complaint expressed concerning the Class I budget system was that in the past it had not displayed desired information by fund administrator, and that it would not display incremental funding levels side by side which makes for easy comparisons. The budget officer expressing this complaint said that these problems may have been resolved for the FY 82 budget submission.

#### F. SUMMARY

This chapter presented the results of the survey questionnaire of selected Marine Corps base and station budget officers. The commands surveyed, the development and organization of the survey, and the sources of the questions were discussed. Also, the number of yes/no responses to each question and additional insights gathered by written comments and telephone interviews were presented.

Questions concerning organization and training revealed problems in the adequacy of budget office staffing, turnover of personnel, and the knowledge of fund administrators. The section on budget guidance raised questions about the timeliness and content of budget guidance from Headquarters Marine Corps to the base/station and from the OpBud holder down to the fund administrator. Problems with fund administrator budget submissions, and lack of formal budget review committees were examined in the last section. The last chapter of this study will cover the conclusions drawn from the survey results and make recommendations concerning budgeting formulation at bases and stations.

Exhibit III-I

Results of Survey Questionnaire of Selected Marine Corps  
Base and Station Budget Officers

I. ORGANIZATION AND TRAINING

- |  |        |      |
|--|--------|------|
| 1. Do the fund administrators have an identifiable organizational structure responsible for the over-all budgeting process?            | Yes 10 | No 1 |
| 2. Does the base/station budgeting function maintain a current organizational chart?   | Yes 8  | No 3 |
| 3. Are the functions, responsibility, authority, and relationships of each position in the budget organization defined in writing?     | Yes 10 | No 1 |
| 4. Is the budget office adequately staffed?  | Yes 5  | No 6 |
| 5. Are the fund administrators' budget organizations adequately staffed?   | Yes 7  | No 4 |
| 6. Is the budget office table of organization adequate?  | Yes 7  | No 4 |
| 7. Are personnel in the budget office adequately trained and knowledgeable in budget formulation requirements and procedures?          | Yes 7  | No 4 |
| 8. Are the fund administrator budget personnel adequately trained and knowledgeable in budget formulation requirements and procedures? | Yes 4  | No 7 |
| 9. Does the budget officer conduct training for personnel in the budget organization to include fund administrator personnel?          | Yes 10 | No 1 |
| 10. Is the turnover of budget personnel seen as a problem in the budget office?  | Yes 4  | No 7 |
| In the fund administrator budget organization?   | Yes 10 | No 1 |

## II. BUDGET CALENDAR

1. Does the budget office maintain and publish a budget calendar? Yes 8 No 3
2. Does the budget calendar allow adequate time for thoughtful budget preparation and submission by the fund administrators? Yes 9 No 1
3. Does the budget calendar permit adequate time for consolidation and review of the fund administrators' budget submission by the OpBud holder? Yes 9 No 1

## III. BUDGET GUIDANCE

### Budget Guidance Issued from Higher Headquarters to Bases/Stations

1. Does the OpBud grantor publish and distribute a formal budget procedures manual (SOP)? Yes 10 No 1
- Is it current? Yes 10 No 0
2. Does the OpBud grantor provide:
  - A. Adequate and detailed zero-based budgeting guidance for the BY+1 to include budget formulation instructions for decision units at the minimum and all incremental levels? Yes 8 No 3
  - B. Minimum levels for the BY+1 stated narratively in terms of goals, policies, and objectives? Yes 6 No 5
  - C. Minimum levels for the BY+1 stated in dollars or percentages? Yes 6 No 5
3. A. Does the OpBud grantor provide budget year ceilings early enough to allow adequate time for budget formulation and submission? Yes 5 No 6
- B. Are budget year ceilings provided via informal communications prior to publication by formal directives? Yes 10 No 1
- C. If so, do the ceilings communicated earlier agree with those published formally? Yes 10 No 1
4. Are the four priority levels of unfunded deficiencies adequately defined? Yes 9 No 2

5. Is information provided concerning new or expanded goals and objectives when budget year goals and objectives change from those of the current year? Yes 9 No 2

6. Are changes to the mechanized budget system promulgated in a timely manner and adequately explained? Yes 7 No 4

7. Are changes to the mechanized budget system adequately documented by higher headquarters? Yes 7 No 3

#### Budget Guidance Issued to Fund Administrators

1. Does the OpBud holder maintain and distribute a formal budget procedures manual to its fund administrators? Yes 5 No 6

Is it current? Yes 5 No 0

2. Have forms been developed and provided for fund administrator use in preparing their budget estimates? Yes 10 No 1

3. Is the following budget guidance provided to the fund administrators?

A. Adequate and detailed zero-based budgeting guidance for the BY+1 to include formulation instructions for applicable decision units at the minimum and incremental levels? Yes 10 No 1

B. Minimum levels for the BY+1 stated in dollar amounts or narratively in terms of goals and objectives? Yes 8 No 3

C. Guidance concerning the formulation of the budget by decision unit within the constraints of the financial ceiling for the budget year to include instructions concerning budgeting for unfunded deficiencies? Yes 9 No 2

4. Is the fund administrators' input for the budget year constrained to an assigned ceiling? Yes 10 No 1

Unconstrained? Yes 1 No 10

An exception report? Yes 2 No 9



5. A. If the ceilings for fund administrators subsequently change, do the fund administrators have the time and opportunity to adjust their budget submissions accordingly? Yes 8 No 3

B. If not, are the fund administrators' budgets redone by the budget officer? Yes 8 No 0

#### IV. BUDGET FORMULATION

1. Are commanders/managers at all levels involved in the budget process? Yes 8 No 3

2. Does the budget officer receive budget estimates from all fund administrators? Yes 11 No 0

3. Do the fund administrators have adequate time to prepare budgets incorporating the budget officers' budget guidance? Yes 10 No 1

4. Fund administrators' budget formulation

A. Are fund administrators' budget submitted in conformance with the budgeting approach utilized (e.g., ZBB)? Yes 11 No 0

B. Are fund administrators' budgets such that they may be consolidated into the base/station budget with maximum ease? Yes 8 No 3

C. Are fund administrators' budget submissions accurate? Yes 7 No 3

D. Are fund administrators' budget submissions adequately supported? Yes 5 No 6

E. Are fund administrators' budget estimates submitted on time? Yes 8 No 3

5. A. Are fund administrators' budgets reviewed by a budget review committee? Yes 5 No 6

B. If so, is the budget review committee of sufficient size and expertise to effectively review and appraise fund administrators' budget submissions? Yes 5 No 0

6. If the fund administrators' budget submission contains major deficiencies, is the budget calendar flexible enough to allow for further guidance from the budget officer and resubmission or corrective action by the fund administrator? Yes 7 No 4
7. Are fund administrators given an opportunity to support their budget requests through hearings or by providing additional information before the budget is revised by the OpBud holder? Yes 11 No 0
8. Do fund administrators use the historical cost data provided by PRIME reports as a basis to project future budget estimates? Yes 10 No 1
9. Are variances in the previous year's budget investigated? Yes 8 No 3
10. Do decision package rankings represent a realistic plan for the application of additional funds or for reduced funding? Yes 9 No 2
11. Has development of the Class I budget system facilitated preparation of a zero-based budget? Yes 9 No 2
12. Is the time and effort required to prepare and submit the budget load input less than would be required to create manual exhibits? Yes 8 No 2
13. Would you prefer more, less, or the current level of budget mechanization? More 6 Less 1 Same 4
14. Do you receive timely cooperation from other units involved in your budget process (e.g., providing anticipated levels of reimbursements)? Yes 8 No 2

#### IV. CONCLUSIONS AND RECOMMENDATIONS

##### A. GENERAL

The first part of this chapter will discuss the conclusions drawn from the survey results presented in Chapter III. As the purpose of this study is to highlight procedures needing improvements, survey questions which drew less than a near unanimous favorable response and for which logical conclusions can be drawn will be the subject of this chapter. Recommendations for improvements based upon these conclusions will be presented in the second part of this chapter.

For the edification of readers concerned with the budget formulation process in Marine Corps operating forces as well as at bases and stations, the conclusions and recommendations of this study will be compared and contrasted with the conclusions and recommendations of William Johnson who studied the problem from the side of the operating forces [Ref. 10]. The purpose will be to highlight budgeting formulation problems which appear to be trends Marine Corps wide.

##### B. CONCLUSIONS

###### 1. Staffing and Training

Half of the respondents reported that they lacked an adequate budget office table of organization (T/O), were understaffed, or both. While the budget office expects an

increase in workload during the budget formulation process, the lack of a required number of budget analysts and budget clerks can strain human resources and cause or exacerbate many other problem areas. A shortage of personnel and the resulting squeeze on time is one contributing factor to the problem of untrained fund administrators. Even though all but one new budget officer claimed to conduct training for the fund administrators, the fact that seven officers say the fund administrators are not knowledgeable shows that the budget officers are not putting forth the time and effort necessary for satisfactory training. The Marine Corps has been fortunate that the heavy workload resulting from understaffing has only resulted in the problem of turnover of budget personnel at one surveyed command. As more experienced budget officers retire and are replaced by younger workers with differing personal priorities, the turnover problem could become more serious in future years.

While insufficient time for training is a factor in the problem of less than knowledgeable fund administrators, the major cause is fund administrator turnover. All budget officers placed the blame for the turnover rate on the changing of job assignments and rotation of military fund administrators. Since most budget preparation procedures are only performed once a year, those fund administrators manned by military personnel will rarely possess much experience.

The conclusion that can be drawn from this section is that budget office understaffing and fund administrator turnover are the two principal causes of untrained and inexperienced fund administrator budget managers.

## 2. Budget Calendar

It was noted in Chapter III that three commands maintain no budget calendar displaying the dates by which certain budget formulation actions should be accomplished. The creation and publication of a budget calendar would be useful to other staff officers and to fund administrators both for planning purposes and for gaining a better perspective of the budget formulation process.

## 3. Budget Guidance

As explained earlier in this study, budget guidance, including financial ceilings for the budget year, originates at Headquarters Marine Corps and is issued to the OpBud holders. The OpBud holders then pass the guidance to the sub-OpBud holders, if applicable, which then provide guidance to the fund administrators. Most respondents claimed that either the budget guidance or financial ceilings are provided too late in the budget formulation process. Budget formulation is started prior to issuance of guidance from higher commands, but the later the official guidance the more assumptions must be included in the budget. If the official guidance is different from the assumptions much of the work may have to be redone.

If Headquarters Marine Corps uses BY+1 budget submissions as a basis for determining relative minimum funding requirements, or even the total Marine Corps minimum funding level, it is necessary that bases/stations prepare their budgets based upon the same guidelines. Recall from the previous chapter that approximately half of the budget officers claimed that their BY+1 minimum level was set for them by higher headquarters as a certain percentage below the current funding level. The other budget officers based their minimum levels on guidance contained in the Field Budget Guidance Manual which set no percentage limits. Guidance from the budget officers to the fund administrators further varied from narrative guidance as to the goals to be accomplished at the minimum level, to percentage limits, specific dollar limits or even no guidance at all. This disparity between what constitutes the minimum level for BY+1 degrades the usefulness of the figures derived.

In the opinion of the author, the defining of the minimum level of funding in terms of goals and objectives to be achieved is the preferred budgeting practice. The defining of the minimum level as a percentage of the current level could tend to promote across the board cuts and discourage management initiatives to identify the true results of a funding reduction. Also, a minimum level imposed from above precludes the budget from identifying what the manager considers the true minimum level to be.

Most budget officers surveyed responded that they do not maintain a current formal budget procedures manual (SOP). The lack of an SOP is a violation of a preferred budgeting practice and a hindrance to maintaining a knowledgeable corps of fund administrators. A budget procedures manual provides staff officers and fund administrators with a reference detailing their role in the budget formulation process.

Although only two units specifically cited the four priority levels of unfunded deficiencies as not being adequately defined, the conclusion can be reached that an expanded definition including more examples pertaining to the supporting activities would result in a more uniform rating of deficiencies.

The one command which stated that its fund administrators do not budget by decision unit is in violation of guidance contained in the Marine Corps Field Budget Guidance Manual. A specific feature of ZBB is the "bottom up" approach to budgeting. For the ZBB process to be meaningful, it is required that it be invoked at the basic budget management level, i.e., the base/station fund administrator.

Eight budget officers stated that due to time constraints they sometimes have to take an active role in redoing fund administrators' budget submissions when changes are necessary. Most also stated that they confer with the fund administrator's budget manager to decide what changes to make. Those officers who make adjustments, revisions, or corrections without consulting the fund administrator who prepared the

budget are violating preferred budgeting practices. "Although the controller is management's principal advisor on management control matters..., the controller is nevertheless a staff person; line management makes the decisions" [Ref. 11: p. 579].

#### 4. Involvement of Managers

If a budget is to be built using the "bottom up" approach advocated by the Marine Corps, managers at all levels must be actively involved in preparing budget estimates [Ref. 12: p. 6-3]. The line managers are the ones who should know better than anyone else what resources are required to accomplish their mission [Ref. 11: p. 336]. Commands whose managers abdicate their responsibilities by failing to participate in budget formulation are not receiving the benefits from one of their most valuable assets.

#### 5. Fund Administrator Budget Submissions

The majority of respondents cited the fund administrators' budget submissions as problem areas. The major complaints included poor narrative justification, use of old or incorrect forms, math errors, and late submissions. These problems result from inadequately trained and inexperienced fund administrators, a situation which was covered earlier. A result of inadequate and late budget submissions is additional workload on the budget office.

#### 6. Budget Review Committee

Recall that the ZBB system calls for BY+1 decision packages to be ranked in order of command priority. Most



commands surveyed reported that this ranking is accomplished by the comptroller division and then recommended to the commanding officer. One budget officer reported that the commanding general ranks the decision packages himself. Both of these methods of ranking conflict with the instructions contained in the Field Budget Guidance Manual which calls for a budget review committee to recommend the priority rankings. A budget review committee comprised of staff officers from each functional area provides the diverse expertise necessary to ensure a meaningful ranking process. The budget review committee should also be involved in reviewing the budget year submission. A primary objective of ZBB is to get managers at all levels involved in the budget process.

#### 7. Variances in Previous Year's Budget

One valuable method of improving future budget estimates is to determine the cause of variances in the previous year's estimates. Units which fail to investigate significant variances between the previous year's estimates and the actual obligations are passing up an important learning opportunity.

#### 8. Causal Relationships

It was observed that many of the problems occurring during the budget formulation process are directly related to one another. Exhibit IV-I diagrams the causal relationships

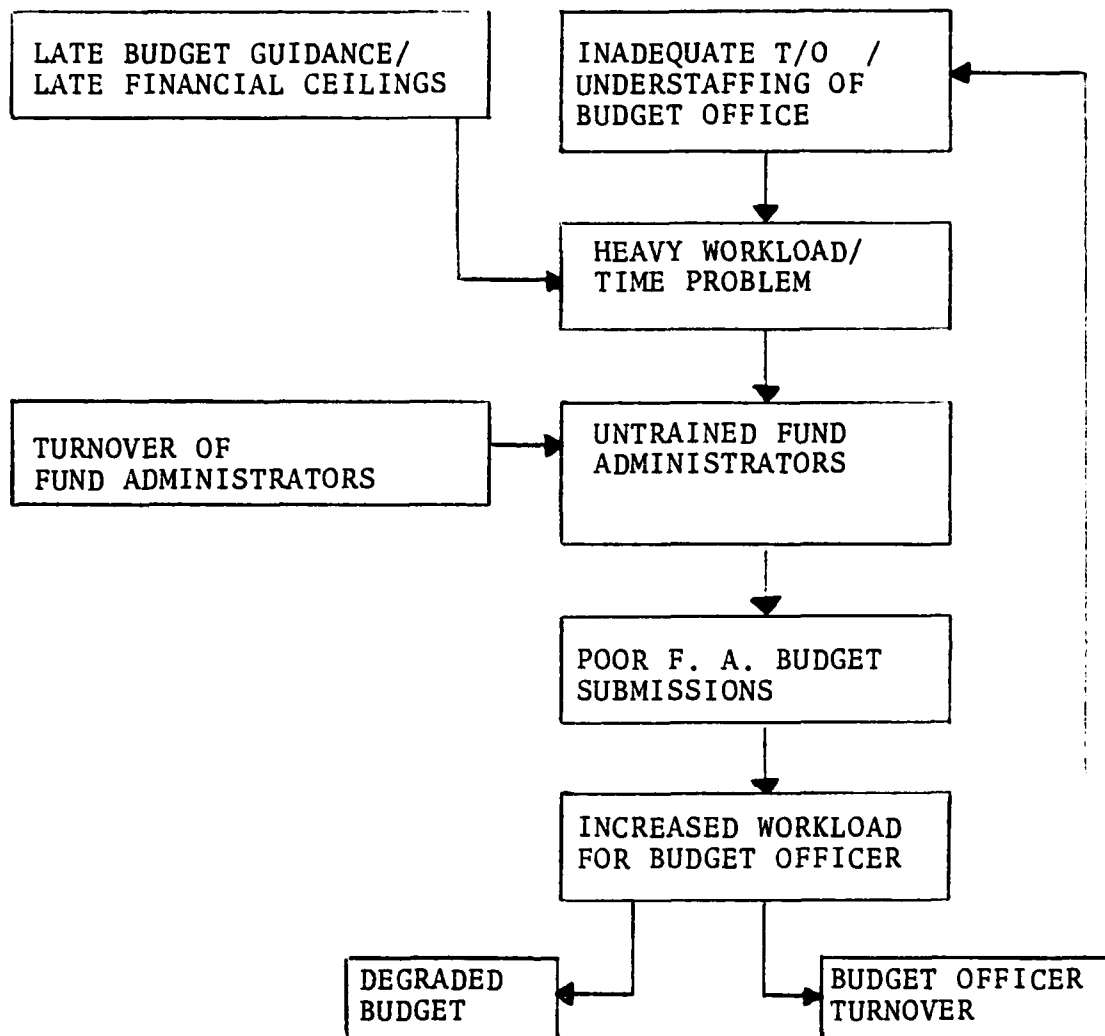


Exhibit IV-I

Causal Relationships

between problem areas as determined by the results of the questionnaire and telephone interviews. Some commands suffered only one or two of the problems shown while other commands encountered the entire range to one degree or another.

As shown by Exhibit IV-I, an inadequate T/O and understaffing of budget offices is a prime cause of an inordinate workload year round. Budget guidance and financial ceilings which arrive later than desired and needed by the budgeting commands puts an even greater time pressure on the budget officer during the budget formulation cycle. The rapid turnover of fund administrator budget managers combined with a busy budget officer can result in a corps of inadequately trained and inexperienced fund administrators. Poorly developed budget estimates submitted by these fund administrators further increases the budget officer's workload during the hectic months of budget preparation. The end result of this chain of occurrences could be a budget which is not as well thought out as it might have been. Another result, so far only reported by one command, could be the turnover of budget personnel which leads directly back to an understaffed budget office.

9. Budget Formulation Problem Areas in the Marine Corps

Many of the budget formulation problem areas at bases and stations were found by William Johnson to also exist in

the operating forces. One major problem area uncovered was inadequate budget input from the cost center budget managers to the operating force budget office. The cost center budget input was criticized as not being accurate, being completed incorrectly, and containing poor narrative justification. Most of the causes of poor cost center/fund administrator budget input were found to be the same for both operating forces and bases and stations. Johnson concluded that the cost center budget input suffers because many budget officers are unable to provide cost centers with timely financial ceilings, budget procedure manuals are out of date or not published, there is a high turnover rate of cost center personnel, and lack of budget training for cost center personnel. While this study concluded that fund administrators may not be provided enough budget formulation training, Johnson found that two-thirds of the commands he surveyed reported no ongoing training programs.

The operating force budget officers also feel that their budget organization T/O is not large enough to allow them to perform the budgetary duties required. Half of them also related that they were not manned in accordance with their T/O.

Additional problem areas uncovered by both studies are that some commands have not clearly defined the functions, responsibilities, authority and relationship of positions in their budget organizations in writing. Also, all operating

force budget officers surveyed reported that their BY+1 minimum funding levels are provided to them in absolute dollar amounts.

Unlike the base and station budget officers, half of the operating force budget officers claimed that budget personnel at their own level are not adequately trained and knowledgeable. Further, all but one fleet command cited turnover of budget office personnel as a problem. The operating forces suffer from these problems because their budget people are military personnel serving a tour of duty vice the more permanent civilians at bases and stations. Only one of the base/station budget officers in the surveyed commands was military.

Some other areas of concern which were discovered only in the operating forces, or else exist there to a much greater degree, result from the organizational structure of the Marine Corps. While most bases and stations receive OpBuds directly from Headquarters Marine Corps, operating forces receive sub-OpBuds from OpBud holders such as Fleet Marine Force, Pacific (FMFPac), or Fleet Marine Force, Atlantic (FMFLant). Most operating force budget officers reported that the budget procedures manual provided by their OpBud holder was out of date. Also, a few budget officers stated that the BY financial ceilings provided via informal communications by the OpBud holder did not match the published ceiling, causing a last-minute crisis.

Two problem areas which were uncovered at bases and stations did not appear in the operating forces. First, all Fleet Marine Force commands surveyed reported that they maintain and publish a budget calendar. Second, they also reported the existence of a budget review committee at each command. However, a few budget officers stated that they did not consider the committee of sufficient size and expertise, or that the committee was not involved in the ranking of decision packages.

#### C. RECOMMENDATIONS

This section will present recommended actions to be taken based upon the conclusions reached in Section B. These recommendations apply only to those commands which are in violation of Headquarters Marine Corps' instructions or preferred budgeting practices, unless otherwise indicated.

1. Headquarters Marine Corps should increase the budget organization T/O at those commands which require additional personnel to carry out their responsibilities.
2. Further, base and station commanders should ensure that the comptroller division is staffed up to its T/O.
3. Budget officers need to conduct periodic training sessions for all fund administrator budget managers. Each new fund administrator needs to be briefed upon assuming the job and a training session on budget preparation should be held each year prior to the budget call.
4. Each command should publish a formal budget procedures manual which, inter alia, promulgates the duties and responsibilities of fund administrators and staff

officers in the budget process, and sets forth a budget calendar showing the dates by which critical actions must be accomplished.

5. The functions, responsibilities, and authority of each position in the budget office should be defined in writing.
6. Budget officers should strive to ensure that budget guidance is written in terms understandable to those with no formal education in ZBB or budgeting in general. Fund administrators should be informed of the goals of the budget process and their role in it as well as how to fill out forms.
7. Efforts should be made to ensure that the person assigned as the fund administrator budget manager is either a civilian, or a Marine who is expected to retain the job for a lengthy period of time.
8. Headquarters Marine Corps needs to establish one definitive, objective definition as to what constitutes the minimum budget level for BY+1.
9. The definitions of the four priority levels of unfunded deficiencies could be expanded to include additional examples pertinent to support activities.
10. Fund administrator budget submissions should be submitted in ZBB format and be formulated by decision unit.
11. Budget officers should work closely with fund administrators whenever altering or correcting their budget submissions.
12. All commands should establish a formal budget review committee to participate in the current year budget formulation as well as in the BY+1 decision package rankings.
13. All significant variations in the previous year's budget should be investigated.

Approximately half of the recommendations presented here are substantially the same as those made by Johnson. Specifically, similar recommendations were made concerning increases in

T/O and manning levels, improvements in budget training programs, necessity for up-to-date budget procedure manuals, and the requirement that functions and responsibilities be defined in writing. Also, both studies recommend that budget officers consult cost center/fund administrator budget managers whenever altering budget submissions, and that formal budget review committees participate in the ranking of decision packages.

Some recommendations made by Johnson are unique to the operating forces, such as the suggestion that Headquarters Marine Corps reduce the turnover of budget office personnel, and that operating forces use the Class I budget system to split the budget into operating budget (OpBud) and statistical (RA) dollars. RA dollars can only be obligated by the operating forces for supplies obtained from the SASSY Management Unit while OpBud dollars are the same as the obligational authority received by the bases and stations. Additional recommendations made concerning operating forces were that budget officers should not become too involved in considering minor funding items, that cost centers should utilize historic cost data as a basis for budget estimates, and that outstanding obligations be considered when preparing budgets.

Recommendations unique to this study, but which would also apply to the operating forces, are ensuring that budget guidance is understandable and fund administrators know their role in the ZBB process, that Headquarters Marine Corps



establish a uniform definition for the minimum budget level, that variances in previous year's budgets be investigated, and that fund administrator budget manager turnover be reduced. The recommendations that the definitions of the four priority levels of unfunded deficiencies include additional examples for support activities and that all commands establish a budget review committee and budget calendar were not necessary for the operating forces.

#### D. SUMMARY

The objective of this thesis was to explore the current budgeting practices at selected Marine Corps bases and stations and to investigate the causes of problem areas uncovered. The conclusions stated in Section B of this chapter were based upon the survey results presented in Chapter III and upon telephone interviews conducted with each budget officer. The recommendations presented in this chapter have been offered with the objective of creating a more effective and efficient Marine Corps budget formulation process.

APPENDIX A  
SURVEY QUESTIONNAIRE OF MARINE CORPS  
BASE AND STATION BUDGET OFFICERS

I. ORGANIZATION AND TRAINING

1. Do the fund administrators have an identifiable organizational structure responsible for the overall budgeting process?  
(Pomeranz)
2. Does the base/station budgeting function maintain a current organizational chart? (Pomeranz)
3. Are the functions, responsibility, authority, and relationships of each position defined in writing? (Sawyer)
4. Is the budget office adequately staffed? (Anthony and Herzlinger)
5. Are the fund administrators' budget organizations adequately staffed? (Anthony and Herzlinger)
6. Is the budget office table of organization adequate?  
(MCO P5310.6)
7. Are personnel in the budget office adequately trained and knowledgeable in budget formulation requirements and procedures? (Anthony and Herzlinger)
8. Are the fund administrator budget personnel adequately trained and knowledgeable in budget formulation requirements and procedures? (Anthony and Herzlinger)
9. Does the budget officer conduct training for personnel in the budget organization to include fund administrator personnel?  
(Anthony and Herzlinger)

10. Is turnover of budget personnel seen as a problem in the budget office? (Pomeranz)

In the fund administrator budget organization?

## II. BUDGET CALENDAR

1. Does the budget office maintain and publish a budget calendar? (Pomeranz)

2. Does the budget calendar allow adequate time for thoughtful budget preparation and submission by the fund administrators? (Anthony and Herzlinger, Pomeranz)

3. Does the budget calendar permit adequate time for consolidation and review of the fund administrators' budget submissions by the OpBud holder? (Anthony and Herzlinger, Pomeranz)

## III. BUDGET GUIDANCE

Budget Guidance Issued from Higher Headquarters to Bases/Stations

1. Does the OpBud grantor publish and distribute a formal budget procedures manual (SOP)? (Pomeranz, MCO P7110.8G)

Is it current?

What is the date of the latest change?

2. Does the OpBud grantor provide:

A. Adequate and detailed zero-based budgeting guidance for the BY+1 to include budget formulation instructions for decision units at the minimum and all incremental levels?

(MCO P7100.8G)

B. Minimum levels for the BY+1 stated narratively in terms of goals, policies, and objectives? (MCO P7100.8G)

C. Minimum levels for the BY+1 stated in dollars or percentages? (MCO P7100.8G)

3. A. Does the OpBud grantor provide budget year ceilings early enough to allow adequate time for budget formulation and submission? (MCO P7100.8G)

B. Are budget year ceilings provided via informal communications prior to publication by formal directives? (NAVSO P3006-1, MCBul 7100)

C. If so, do the ceilings communicated earlier agree with those published formally? (MCBul 7100)

4. Are the four priority levels of unfunded deficiencies adequately defined? (MCO P7100.8G)

5. Is information provided concerning new or expanded goals and objectives when budget year goals and objectives change from those of the current year? (Pomeranz)

6. Are changes to the mechanized budget system promulgated in a timely manner and adequately explained? (MCO P7300.10B)

7. Are changes to the mechanized budget system adequately documented by higher headquarters? (MCO P7300.10B)

#### Budget Guidance Issued to Fund Administrators

1. Does the OpBud holder maintain and distribute a formal budget procedures manual to its fund administrators?  
(Pomeranz)

Is it current?

What is the date of the latest change?

2. Have forms been developed and provided for fund administrators' use in preparing their budget estimates?

(Pomeranz)

3. Is the following budget guidance provided to the fund administrators?

A. Adequate and detailed zero-based budgeting guidance for the BY+1 to include formulation instructions for applicable decision units at the minimum and incremental levels?

(MCO P7100.8G)

B. Minimum levels for the BY+1 stated in dollar amounts or narratively in terms of goals and objectives? (MCO P7100.8G)

C. Guidance concerning the formulation of the budget by decision unit within the constraints of the financial ceiling for the budget year to include instructions concerning budgeting for unfunded deficiencies? (MCO P7100.8G)

4. Is the fund administrators' input for the budget year constrained to an assigned ceiling? (Practical Comptrollership Textbook)

Unconstrained?

An exception report?

5. A. If the ceilings for fund administrators subsequently change, do the fund administrators have the time and opportunity to adjust their budget submissions accordingly?

(Anthony and Herzlinger)

B. If not, are the fund administrators' budgets redone by the budget officer? (Anthony and Herzlinger)

#### IV. BUDGET FORMULATION

1. Are commanders/managers at all levels involved in the budget process? (MCO P7100.8G)
2. Does the budget officer receive budget estimates from all fund administrators? (Pomeranz)
3. Do the fund administrators have adequate time to prepare budgets incorporating the budget officer's budget guidance? (Pomeranz)
4. Fund administrators' budget formulation:
  - A. Are fund administrators' budgets submitted in conformance with the budgeting approach utilized (e.g., ZBB)? (Pomeranz)
  - B. Are fund administrators' budgets such that they may be consolidated into the base/station budget with maximum ease? (Pomeranz)
  - C. Are fund administrators' budget submissions accurate? (Pomeranz)
  - D. Are fund administrators' budget submissions adequately supported? (Pomeranz)
5. A. Are fund administrators' budgets reviewed by a budget review committee? (MCO P7100.8G)
  - B. If so, is the budget review committee of sufficient size and expertise to effectively review and appraise fund administrators' budget submissions? (MCO P7100.8G)
6. If the fund administrators' budget submission contains major deficiencies, is the budget calendar flexible enough

to allow for further guidance from the budget officer and resubmission or corrective action by the fund administrator? (Pomeranz)

7. Are fund administrators given an opportunity to support their budget requests through hearings or by providing additional information before the budget is revised by the OpBud holder? (Pomeranz)

8. Do fund administrators use the historical cost data provided by PRIME reports as a basis to project future budget estimates? (Pomeranz)

9. Are variances in the previous year's budget investigated? (Naval Audit Service Program #7)

10. Do decision package rankings represent a realistic plan for the application of additional funds or for reduced funding? (MCO P7100.8G)

11. Has development of the Class I budget system facilitated preparation of a zero-based budget? (MCO P7300.10B)

12. Is the time and effort required to prepare and submit the budget load input less than would be required to create manual exhibits? (MCO P7100.8G and MCO P7300.10B)

13. Would you prefer more, less or the current level of budget mechanization? (MCO P7100.8G and MCO P7300.10B)

14. Do you receive timely cooperation from other units involved in your budget process (e.g., providing anticipated levels of reimbursements)? (MCO P7100.8G)

## SOURCES

1. Anthony, R. N. and Herzlinger, R. E., Management Control in Non-Profit Organizations, Irwin, 1975.
2. Pomeranz, F. and others, Auditing in the Public Sector, Warren, Gorham, and Lamont, 1976.
3. Sawyer, L. B., The Practice of Modern Internal Auditing, The Institute of Internal Auditors, Inc., 1973.
4. AUDGENAV Notice 7500
5. Marine Corps Bulletins of the 7100 Series
6. MCO P5310.6
7. MCO P7100.8G
8. MCO P7300.10B
9. NAVSO P3006-1
10. Practical Comptrollership Course Textbook



#### LIST OF REFERENCES

1. Department of the Navy, Headquarters United States Marine Corps, Financial Guidebook for Commanders NAVMC 2664, 30 June 1976.
2. Wright, J. F., "Financial Management is Inherent in Marine Corps Command," Navy Management Review, v. 12, July 1967.
3. Simmons, E. H., "Budgeting in the Marine Corps," Armed Forces Comptroller, v. 14, April 1969.
4. Moyer, B. B., "Evolution of Planning Programming Budgeting in DOD," Armed Forces Comptroller, v. 18, Spring 1973.
5. Department of Defense Budget for Fiscal Year 1982, Financial Summary Tables, 10 March 1981.
6. Holt, E. Y., "Operation and Maintenance Marine Corps," Armed Forces Comptroller, v. 17, Winter 1972.
7. Lynch, T. D., Public Budgeting in America, Prentice-Hall, Inc., 1979.
8. Marine Corps Order P7300.10B, Mechanized Financial Procedures for Selected Marine Corps Posts and Stations, 26 May 1978.
9. Pomeranz, F., and others, Auditing in the Public Sector, Warren, Gorham, and Lamont, 1976.
10. Johnson, William D., A Study of Budget Formulation in the Fleet Marine Force, Master's Thesis, Naval Postgraduate School, Monterey, 1980.
11. Anthony, R. N., and Herzlinger, R. E., Management Control in Nonprofit Organizations, Richard D. Irwin, Inc., 1980.
12. Marine Corps Order P7100.8G, Field Budget Guidance Manual, 10 Mar 1980.

# INITIAL DISTRIBUTION LIST

	No. Copies
1. Defense Technical Information Center Cameron Station Alexandria, Virginia 22314	2
2. Library, Code 0142 Naval Postgraduate School Monterey, California 93940	2
3. Department Chairman, Code 54 Js Department of Administrative Science Naval Postgraduate School Monterey, California 93940	1
4. LCDR Robert A. Bobulinski, Code 54 Bb Department of Administrative Sciences Naval Postgraduate School Monterey, California 93940	6
5. Asst Professor Kenneth J. Euske, Code 54 Ee Department of Administrative Sciences Naval Postgraduate School Monterey, California 93940	1
6. Lt. Col. Walter H. Skierkowski, Code 54 Zs Department of Administrative Sciences Naval Postgraduate School Monterey, California 93940	2
7. Capt. Bruce H. Brothers SMC 2515 Naval Postgraduate School Monterey, California 93940	2
8. CMC HQMC, Code FD Washington, D.C. 20380	1

